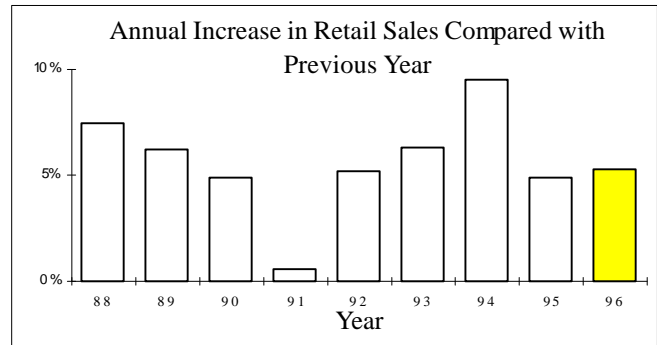
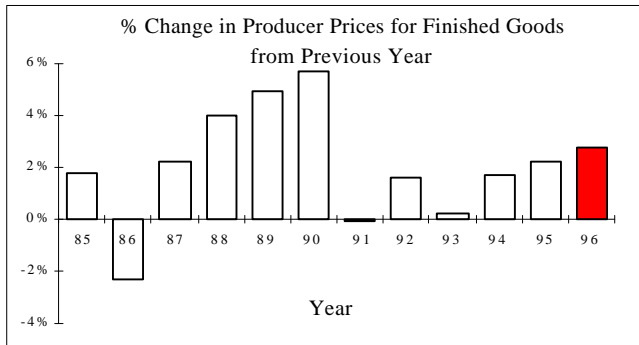


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PRICE INCREASES REMAIN MAINLY IN ENERGY

The Labor Department reported that in 1996 producer prices for finished goods rose 2.8% and consumer prices rose 3.3%, the highest annual rates for each since 1990 when the Gulf War caused increases in energy prices. Most of 1996's increases were due to higher energy prices with wholesale energy costs increasing 12% and consumer energy costs going up 8.6%. The high energy prices are attributed to delays in lifting UN sanctions on Iraq's oil exports and recent cold weather in Europe. High productivity and stable labor costs are combining to help prevent energy price increases from spreading throughout the economy.

RETAIL SALES UP 5% IN 1996

The Commerce Department reported that retail sales increased 5.3% in 1996, slightly better than the 4.9% increase reported in 1995. The increase was held down by a weak 0.6% increase in sales for December, attributed to a shortened Christmas shopping season and heavy consumer debt burdens. The Federal Reserve reported that revolving debt as of the end of November was rising at an annual rate of 8.5% and was at a record 20.9% of disposable income.

RUSSIAN TAX PROCEEDS LOW IN 1996

In 1996 tax revenues were 16% short of government established targets because of tax evasion and contraction of the economy. This shortfall caused the IMF twice to suspend loan disbursements to Russia. In response to insufficient tax revenue, the Russian government intends to restore the state monopoly on alcohol. It is estimated that currently only 2% of tax revenues are derived from alcohol duties; while, in the Soviet era one-third of government revenue was derived from alcohol sales.

GERMAN JOBLESSNESS REACHES POST-WAR HIGH

The German government reported that unemployment reached 10.8% last month, the highest post-war rate for the month of December. The high unemployment rate is attributed to high German labor costs, high taxes that depress investment, expensive social programs that are paid for by businesses, and laws that discourage hiring by making it difficult to lay off workers during business slowdowns. The head of the German federal labor office predicts that unemployment will exceed 11% by the end of January and will continue to climb. Currently, the jobless rates in Dresden and other eastern German cities are far in excess of the overall rate. As a result of the high jobless rates, the German budget deficit has soared to well above the recommended ceiling level outlined in the Maastricht treaty for the establishment of a European economic and monetary union.

FUEL PRICES (*dollars/bbl*) AND EXCHANGE RATES (*foreign units/US dollars*)

| | <u>Jan 10</u> | <u>Jan 3</u> | | <u>Jan 10</u> | <u>Jan 3</u> |
|-------------------------------|---------------|--------------|-------------------------|---------------|--------------|
| Crude Oil (<i>Foreign</i>) | 22.58 | 22.20 | DM (<i>Germany</i>) | 1.58 | 1.55 |
| Crude Oil (<i>Domestic</i>) | 26.08 | 25.58 | Yen (<i>Japan</i>) | 115.50 | 115.82 |
| Pound (<i>UK</i>) | 0.594 | 0.588 | Peso (<i>Mexico</i>) | 7.84 | 7.89 |
| Ruble (<i>CIS</i>) | 5595 | 5534 | Won (<i>S. Korea</i>) | 847 | 845 |

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